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RUEHLO/AMEMBASSY LONDON PRIORITY 2324
RUEHFR/AMEMBASSY PARIS PRIORITY 6392
RUEHRO/AMEMBASSY ROME PRIORITY 2230
RUEHGV/USMISSION GENEVA PRIORITY 3469
RUEHBS/USEU BRUSSELS PRIORITY

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STATE FOR EAP/J VMURRAY, EEB/BTA EMAGDANZ
PASS USTR FOR WCUTLER, MBEEMAN

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TAGS: [ETRD](#) [ECON](#) [JA](#)
SUBJECT: JAPAN RELEASES GLOOMY DECEMBER TRADE DATA

REF: 08 TOKYO 3302

[11](#). (U) Summary: Japan's trade surplus dropped 80 percent in 2008, according to trade data released January 22 by the Ministry of Finance. Both exports and imports fell sharply late in the year, with December exports down by 35 percent, year-on-year, and imports down by 21.5 percent. Japan ran a trade deficit for four of the last five months, with substantial declines across all major sectors. For 2008 as a whole, Japan's exports were down 3.4 percent while imports were up 7.9 percent. End summary.

[12](#). (U) Japan's trade surplus fell to 2,157 billion yen in 2008 (USD 20.9 billion at 2008 average rate USD 1 = JPY 103.37) from 10,795 billion yen (USD 104 billion) in 2007. The trend is more striking, though, in quarterly data. In the first quarter 2008, Japan enjoyed a surplus of 1,982 billion yen, albeit still down 22 percent from the previous year. By the fourth quarter, however, Japan's trade account had slipped 612 billion yen into deficit.

[13](#). (U) Japan's exports for the year fell 3.4 percent, to 81,049 billion yen (USD 784 billion). The year-on-year decline for December, however, was 35 percent and followed a 26.7 percent drop in November. Exports to the U.S. fell 15.8 percent and to the EU were down 7.8 percent in 2008. Exports to the Middle East were up modestly but from a smaller base and even these tapered off in the second half of the year. For December, Japan's exports were down 36.9 percent to the U.S., 41.8 percent to the EU, 36.4 percent to Asia, and 10.7 percent to the Middle East. Declines in imports were smaller but still across the board and in double digits.

[14](#). (U) All of Japan's major manufacturing sectors were affected. Exports of transportation equipment fell 37 percent with the largest component, motor vehicles, dropping 45.4 percent. Other major categories also declined: electrical equipment by 39.4 percent, machinery by 29.4 percent, manufactured goods by 22.4 percent, and chemicals by 46 percent.

[15](#). (SBU) Japanese media cite the sharp decline in foreign demand for Japanese exports and the recent strengthening of the yen as the primary factors behind the trade figures. Local economists told Emboff that while the government considers long-term policies to promote competitiveness and innovation in Japan, industry is adopting urgently short-term measures to reduce costs and cut production. Should the situation continue, some have suggested Japan may see further efforts to move production to cheaper platforms abroad.

¶6. (U) The Ministry of Finance trade data can be found at:
http://www.customs.go.jp/toukei/latest/index_e.htm.
ZUMWALT